UNITED
NATIONS

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United Nations
Conference
on Trade and
Development

Distr.
GENERAL

TD/B/COM.2/EM.10/1
3 September 2001

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
COMMISSION ON INVESTMENT, TECHNOLOGY
AND RELATED FINANCIAL ISSUES
Expert Meeting on the Impact of FDI Policies on
Industrialization, Local Entrepreneurship and the
Development of Supply Capacity
Geneva, 5-7 November 2001
Item 2 of the provisional agenda

PROVISIONAL AGENDA AND ANNOTATIONS

I. Provisional agenda

1. Election of officers

2. Adoption of the agenda

3. The impact of FDI policies on industrialization, local entrepreneurship and the development of supply capacity of developing countries, in particular the least developed countries

4. Adoption of the outcome of the Meeting

GE.01-52655 (E)

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II. Annotations to the provisional agenda

Item 1 – Election of officers

1. In accordance with UNCTAD practice, the Expert Meeting may wish to elect a Chairperson and a Vice-Chairperson-cum-Rapporteur.

Item 2 – Adoption of the agenda

2. The provisional agenda for the Meeting is set out in section I above. A detailed programme will be made available at the Meeting.

Documentation

TD/B/COM.2/EM.10/1 Provisional agenda and annotations

Item 3 – The impact of FDI policies on industrialization, local entrepreneurship and the development of supply capacity of developing countries, in particular least developed countries

3. At the consultations of the President of the Trade Development Board on 30 January 2001, member States decided to convene an expert meeting on "The impact of FDI policies on industrialization, local entrepreneurship and the development of supply capacity of developing countries, in particular the least developed countries." This theme is related to the question of policy options that countries can use to enhance the impact of FDI on the industrialization of host economies, as well as the competitiveness of the domestic enterprise sector.

4. Countries are today seeking not only to attract more FDI but also to maximize its benefits. One of the main potential benefits is that FDI can bring a package of tangible and intangible assets that can contribute to enhancing the development of a host economy. For this reason, many developing countries have now included FDI in their development strategies, as a means of fostering industrialization and enhancing the integration of their economies into the global economy and their trade competitiveness. Host countries expect that the diffusion of knowledge and technology controlled by TNCs will exert a positive impact on the upgrading of local capabilities and add to the dynamic efficiency and competitiveness of their economy. The amount of knowledge diffusion depends partly on the extent to which foreign affiliates establish and deepen linkages with local enterprises.

5. The focus of policies encouraging TNCs to establish and deepen linkages with local enterprises with the aim of assisting the process of industrialization of the host economies has shifted over time, partly reflecting changes in national priorities, partly reflecting changes in the international policy environment. While the international regulatory framework is still evolving, the challenge for policy makers is, therefore, to make use of the options allowed within the current framework, as well as other policy measures that are not subject to multilateral rules, to integrate FDI more deeply into their national

economies. FDI policies include policies to attract and target FDI in particular sectors, industries of interest for the country's strategy to develop and industrialize, as well as policies to encourage more linkages between TNCs and local enterprises. Host countries also need to take into account TNCs' corporate strategies, in particular the distribution and organization of their international production networks. Understanding this dimension will also help to increase the efficiency of FDI policies towards supporting host countries' industrialization strategies.

6. The Expert Meeting is expected to have in-depth discussions related to integrating FDI policies in the industrialization strategies of the host countries, including promoting local entrepreneurship and the development of supply capacity. In that context, policy lessons will be drawn from issues such as, how to tap into the international systems of integrated production of TNCs? What are the best strategies to target and attract FDI in particular sectors, compatible with host countries' industrialization strategies? In an evolving international regulatory context, what are the main ingredients of a successful linkages promotion policy? To what degree is success in linkages promotion context-specific and to what extent can generalizations be made?

7. To facilitate the discussions, the UNCTAD secretariat has prepared an issues paper entitled "The impact of FDI policies on industrialization, local entrepreneurship and the development of supply capacity" (TD/B/COM.2/EM.10/2).

Documentation

TD/B/COM.2/EM.10/2	The impact of FDI policies on industrialization, local entrepreneurship and the development of supply capacity – an issues note by the UNCTAD secretariat

Item 4 – Adoption of the outcome of the Meeting

8. The Expert Meeting may wish to have a substantive outcome for the Commission at the end of the Meeting. This could be in the form of policy options for consideration by the Commission. In addition, the secretariat will produce an informal summary of the discussions. The final report will be compiled under the authority of the Chairperson after the conclusion of the Meeting.